No. 98-377

In the Supreme Court of the United States

OCTOBER TERM, 1998

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS AND TRADEMARKS,
PETITIONER

v.

MARY E. ZURKO, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

SETH P. WAXMAN
Solicitor General
Counsel of Record
Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

NANCY J. LINCK
Solicitor
United States Patent and Trademark Office
Arlington, VA 22215

TABLE OF AUTHORITIES

Miscellaneous: Page

In the Supreme Court of the United States

OCTOBER TERM, 1998

No. 98-377

BRUCE A. LEHMAN,
COMMISSIONER OF PATENTS AND TRADEMARKS,
PETITIONER

v.

MARY E. ZURKO, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF FOR THE PETITIONER

Respondents do not seriously contest the importance of the question presented, or its ripeness for review by this Court. They oppose review primarily on the ground that the court of appeals' decision is correct. For reasons stated below and in the petition, respondents' defense of the court's decision is unpersuasive. Even if the proper answer were less clear, however, review would be warranted in order for this Court to consider both the Federal Circuit's novel interpretation of the Administrative Procedure Act (APA) and the broader issues that that interpretation raises concerning the proper relationship between an expert administrative agency and its reviewing court.

1. Respondents acknowledge (Br. in Opp. 8 n.3) that the Patent and Trademark Office (PTO) is an "agency" covered by the APA, that the patent laws create "a comprehensive statutory scheme for determination of patent applications by [that] specialized agency," and that those laws do not specify any standard of judicial review different from the APA standards generally applicable to review of agency action

under 5 U.S.C. 706(2). They concede that, despite the facial applicability of those standards, the Federal Circuit has instead adopted a "more demanding" standard of review that involves "[c]lose examination of PTO fact-finding" and "meticulous review by [the] appellate court." Br. in Opp. 7-8. And, finally, they agree that proper administration of the patent system and the accuracy of patentability determinations are matters of "critical importance * * * to [patent] applicants and the Nation's economy." *Id.* at 8 n.3, 20.

Respondents thus do not contest that the question presented by this case is an important one. They do argue, in passing, that the question is not ripe for review in this case, on the ground that "there was no finding below that the Board's decision would be upheld [by] applying the APA standards in [Section] 706(2)." Br. in Opp. 7 n.2. They give no adequate reason, however, for dismissing (*ibid.*) the en-banc court's explicit statement (joined by all three members of the original panel) that it had granted review in this case precisely because it had "[c]onclud[ed] that the outcome of this appeal turns on the standard of review used by [the] court." Pet. App. 2a. The standard-of-review issue is not only squarely presented by the court's decision, but was plainly, in the court's view, dispositive in this case.[1]

2. Respondents argue primarily that the court of appeals correctly interpreted Section 12 of the original APA (ch. 324, 60 Stat. 244), now 5 U.S.C. 559, to permit "meticulous" appellate review of Board decisions, on the theory that such review is the continuation of an "additional requirement[]" that was "recognized by law" before the passage of the APA in 1946. See Br. in Opp. 8, 11. As the petition demonstrates

---

[1] Petitioner suggested initial en-banc review of the same issue in *In re MacDermid, Inc.*, 111 F.3d 890 (Fed. Cir. 1997). The court's order rejecting that suggestion and the panel opinion in this case were issued on the same day, and reading the two together (see Pet. App. 32a n.2) leaves no room for doubt that the en-banc court meant exactly what it said in this case concerning the dispositive nature of the issue here.

(at 14-19), however, neither respondents' historical premise nor their statutory argument is sound.

a. Respondents argue that "the 'clearly erroneous' standard has been the rule" for review of PTO decisions since 1894. Br. in Opp. 7-8. Even the court of appeals found the strong form of that argument "disingenuous," concluding only that "the common law recognized several standards prior to 1947, including clear error and its close cousins." Pet. App. 11a, 22a-23a; see also *id.* at 15a. Moreover, although we do not propose to debate at length the proper modern understanding of the standard-of-review language used in pre-APA cases, we note that respondents' historical argument is flawed even at its purported source in an opinion of this Court.[2]

Respondents argue that the standard of review now employed by the Federal Circuit descends from *Morgan* v. *Daniels*, 153 U.S. 120 (1894). *Morgan*, however, hardly supports the use of a non-deferential standard on APA review of a PTO determination concerning patentability. To the contrary, the *Morgan* Court stressed that the matter before it was "more than a mere appeal," involving instead "an application to the court to set aside the action of * * * the executive department[] * * * charged with the administration of the patent system" because of dispute over "a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises." *Id.* at 124. Under these circumstances, the Court noted, it "might well be argued" that the PTO's decision should be *final* as to

---

[2] As our argument here and in the petition (at 17 n.7) should make clear, we do not concede that the various verbal standards articulated in pre-APA cases "each * * * require[d] more rigorous review than is required by the APA" (Pet. App. 15a; see Br. in Opp. 9-10 & n.5). We do not seek this Court's resolution of that historical dispute; but it is useful to understand the weakness of respondents' appeal to history when evaluating the seriousness of the statutory error in this case.

matters of fact, "were it not for the terms of [the governing] statute." *Ibid.*

At the time, those statutory terms were that a dissatisfied applicant might "have remedy by [filing a] bill in equity," on which the district court might "adjudge that such applicant is entitled, according to law, to receive a patent * * *, as the facts in the case [might] appear." 153 U.S. at 121 (reporter's statement of the case); see also Pet. App. 13a. By the time the APA was enacted a half-century later, the law applicable to review of PTO decisions had changed: In 1925, Congress allowed applicants to choose whether to file a "bill in equity" or, instead, to seek review in the court of appeals. See *id.* at 14a-15a. That choice remains under present law, and it is the second option—now review in the Federal Circuit—rather than the first—an action in district court—that is at issue here. See Pet. 13 n.3; compare 35 U.S.C. 141 (appellate review) with 35 U.S.C. 145 (district court action, tracking language considered in *Morgan*). Thus, even if one could fairly separate the "carries thorough conviction" or "clear conviction" language of *Morgan*, 153 U.S. at 125, 129, from its context, and equate it with the term "clearly erroneous" as presently understood, there would be no reason to think that this Court intended that standard to apply to the type of judicial review at issue here. Appellate review on the administrative record was not authorized in patent cases until 1925, and is now governed by the terms of the APA.[3]

---

[3] There is no more substance to the argument that reviewing courts consistently applied a "clear error" standard *after* enactment of the APA. As the court of appeals recognized, the Court of Customs and Patent Appeals (CCPA) merely "continued to review Patent Office decisions as it had done before 1947, without a clearly articulated standard of review." Pet. App. 18a. Indeed, it is interesting to compare the court's formal analysis of historical standards (*id.* at 11a-23a) with the somewhat pithier

b. Even if pre-APA courts had used a "clear error" standard in reviewing PTO decisions, that standard would have been superseded by the APA; it would not have been preserved, as respondents argue, as an "additional requirement[]" within the meaning of what is now 5 U.S.C. 559. One would not ordinarily think of a standard of judicial review as a "requirement": Unlike the information, rulemaking, and adjudication provisions at the core of the APA, see 5 U.S.C. 552-557, a standard of review does not obligate the agency (or a member of the public) to take any action or follow any particular procedure. Moreover, although respondents initially recognize that the word "additional" means "supplementary," and would typically refer to "added" obligations, in the context of judicial review they equate the statutory term to "more rigorous." Br. in Opp. 12-13 & n.7. As the petition explains (at 15-17), however, even if we assume that the applicable standard of judicial review is a "requirement[]" for purposes of Section 559, respondents' argument confuses "additional" requirements with *inconsistent* requirements. An "additional" requirement could, for example, presumably be "added" to a list of the "requirements" applicable to a given agency; but if such a list contained "judicial review under a 'substantial evidence' standard," then one could not simply append to it "and judicial

---

assessment of Judge Rich, speaking to a bar group about his experiences in many years on the CCPA and the Federal Circuit:

> In the CCPA, we were not reviewing trials, and Rule 52(a) was not applicable. Or if it was, we ignored it. Reviewing the PTO Boards, our attitude was we reversed them if they were wrong. In that regard, we did not act like the Circuit Courts of Appeal. We have been breaking that habit. * * * I also must say that I have great difficulty in determining the distinction between an alleged fact being wrong and being "clearly erroneous," and I seem to remember a learned colleague saying "It doesn't matter; if you want to upset the fact finding, you just have to use the magic words."

Rich, *Thirty Years of This Judging Business*, 14 AIPLA J. 139, 149 (1986).

review for 'clear error.'" The substitution of one standard for the other does not come within the terms of Section 559.

Respondents argue (Br. in Opp. 14) that their counter-textual interpretation is required to prevent that provision from being rendered "a nullity." That is plainly incorrect. As our petition explains (at 15), at least two meaningful alternative constructions of "additional requirements" would comport with the statutory text. Likewise, there has never been any doubt that Congress may "supersede or modify" the APA's provisions through later legislation, subject to Section 559's rule of construction that such modifications should be recognized only if they are "express[]." 5 U.S.C. 559; see, *e.g.*, Pet. 15 n.5; compare Br. in Opp. 18 n.9, citing *United States* v. *Menendez*, 48 F.3d 1401, 1409 (5th Cir. 1995) (considering interaction of the APA and the later-enacted Endangered Species Act).

Respondents take issue (Br. in Opp. 13-16) with our contention that Congress intended the APA's specification of generally applicable standards of review to displace inconsistent standards that might previously have applied in particular circumstances. It is true that, in this regard, the Act was intended to "restate" the law of review, rather than to enact radical modifications. See, *e.g.*, U.S. Dep't of Justice, *Attorney General's Manual on the Administrative Procedure Act* 9, 107-108 (1947). By its nature, however, a "restatement" tends to elide any deviation from the norm; and when, as here, the restatement is statutory, its effect is to eliminate anomalies, not to preserve them. As the petition points out (at 17), although Congress specifically considered patent proceedings when it was drafting the APA, it did not except the PTO from the judicial review provisions of the Act; and those provisions do not authorize review for "clear error."[4]

---

[4] The Walter-Logan bill, an important precursor of the APA, "originally * * * provided that an order might be set aside if the findings of

3. As the petition explains (at 13-18), because the PTO is an agency subject to the APA, this Court's decisions make clear that the Federal Circuit must apply the standard of review specified by that Act, not some other standard that the court might select based on its own view of sound judicial, administrative or patent policy. Respondents concede (Br. in Opp. 16-17) the principle articulated by cases such as *American Paper Institute* v. *American Electric Power Service Corp.*, 461 U.S. 402 (1983), and *Citizens to Preserve Overton Park, Inc.* v. *Volpe*, 401 U.S. 402 (1971), that "in the absence of a more specific standard elsewhere, the APA [provides] the default" standard for judicial review; they seek to distinguish those cases only on the ground that PTO cases are governed by a non-statutory standard of review that was defined by the common law and then saved by Section 12 of the original APA. See Br. in Opp. 16-17. That distinction fails because, as we have shown, the inconsistent standard advocated by respondents and accepted by the Federal Circuit was not a clear feature of pre-APA law, and would not, in any event, have been preserved by Section 12.

Respondents seek to distinguish *Vermont Yankee Nuclear Power Corp.* v. *Natural Resources Defense Council, Inc.*, 435 U.S. 519, 543-549 (1978), which held that courts may not impose common-law procedural requirements to supple-

---

fact were clearly erroneous." 86 Cong. Rec. 13,676 (1940) (statement of Sen. King). As a primary proponent of the legislation explained:

> This language was criticized on the ground that it would permit courts to review the evidence and substitute their own independent views of the facts for the findings reached by the bureau. To meet this criticism the Committee on the Judiciary of the Senate has stricken the quoted words from the bill, for those sponsoring this legislation recognize that the administrative agencies are the primary fact-finding bodies.

Ibid.; see generally S. Rep. No. 752, 79th Cong., 1st Sess. 3-4, 6-7 (1945) (discussing history of Walter-Logan bill as precursor to APA).

ment those imposed by statute, on the ground that it did not involve standards of judicial review. Br. in Opp. 17. But they offer no reason to distinguish non-statutory review standards from non-statutory procedural requirements in applying *Vermont Yankee*'s basic principle of judicial restraint. Finally, respondents dismiss *Steadman* v. *SEC*, 450 U.S. 91 (1981), which held that courts are not free to vary the preponderance-of-the-evidence standard of proof contemplated by the APA for use in administrative proceedings, on the ground that the petitioner in that case "had made no claim under Section 12 that a statute or other recognized law imposed any additional requirement." Br. in Opp. 18. In fact, the petitioner in *Steadman* did rely on Section 12 for the proposition that "the APA by its own terms left open the possibility that a standard of proof more demanding than a mere preponderance may be imposed by a court." 79-1266 Pet. Reply Br. 5. Although that claim was not precisely the same as respondents', there can be no doubt that the Court was aware of Section 12 when it held that there was no room for judicial definition of a proof standard where Congress had already spoken to that issue through the APA. See 450 U.S. at 95-96.

4. Respondents offer a number of policy arguments for the use of a non-APA standard of review. Br. in Opp. 19-22. Even if those arguments were relevant in the face of the clear terms of the APA, they would provide no persuasive justification for departing from the usual rules of APA review. While we agree that patentability determinations are complex, fact-intensive, and highly specialized, those considerations simply underscore why it is inappropriate for an appellate court to insist on engaging in more-rigorous-than-usual review of the factual determinations of a quintessentially expert administrative agency. See Pet. 6 n.1, 18-19; cf. *Baltimore Gas & Elec. Co.* v. *Natural Resources Defense Council, Inc.*, 462 U.S. 87, 103 (1983) (when reviewing an agency's determination "within its area of special exper-

tise, at the frontiers of science[,] * * * a reviewing court must generally be at its most deferential"). Similarly, respondents' argument that the PTO "does not have a better view of the facts than the Federal Circuit" (Br. in Opp. 20) ignores both the nature of the factual questions often at issue—here, for example, what the prior art in the field of computer-program design would have suggested to "a person having ordinary skill in the art" (35 U.S.C. 103 (1994 & Supp. II 1996))—and the relative technical expertise of PTO examiners and federal judges.[5] Finally, there is nothing anomalous about the fact that on direct review in the court of appeals PTO factual findings are to be reviewed under the APA's "substantial evidence" standard, whereas if a disappointed patent applicant seeks de novo review in the district court under the special mechanism provided by Congress in 35 U.S.C. 145, that court's factual findings will later be reviewed, on appeal, under the "clear error" standard of Federal Rule of Civil Procedure 52(a).

Respondents scarcely mention the Federal Circuit's own primary "policy" rationale for its decision in this case: the insistence that the court remain free to review decisions by the Board of Patent Appeals on its own reasoning, rather

---

[5] The Federal Circuit has exclusive or primary appellate jurisdiction over various matters (including not only patent cases but government contract cases, takings claims, federal employment controversies, and international trade cases, see 28 U.S.C. 1295), as well as internal revenue cases. Its judges are thus familiar with patent litigation but are not necessarily experts in patent law. They will seldom if ever have the sort of technical expertise that PTO's senior examiners are statutorily required to possess. See 35 U.S.C. 7(a); compare Pet. 18-19 & n.8 with *Atari, Inc.* v. *JS & A Group*, 747 F.2d 1422, 1436 (Fed. Cir. 1984) ("In specifying that the President nominate [Federal Circuit] judges 'from a broad range of qualified individuals' * * *, Congress sought in the statute itself to 'clearly send a message to the President that he should avoid undue specialization' in this court."), overruled in part on other grounds, *Nobelpharma AB* v. *Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.), cert. denied, No. 98-178 (Oct. 5, 1998).

than on the Board's. See Pet. App. 3a, 25a-27a. They do rely, however, on the court's "congressionally assigned responsibility for bringing uniformity to review of patentability issues," and on a supposed "equilibrium" between the PTO's internal procedures and "the requirement of more intensive judicial review" (Br. in Opp. 8, 21). Whatever the phraseology, as the petition points out (at 21-22), it is the fundamental choice between essentially deferential APA review, on the one hand, and the essentially non-deferential review preferred by the court of appeals (and by unsuccessful patent applicants such as respondents), on the other, that best explains the decision below, and that underscores the systemic importance of this case. Compare *United States* v. *Haggar Apparel Co.*, cert. granted, No. 97-2044 (Sept. 29, 1998) (involving a comparable systemic refusal by the Federal Circuit to apply normal standards of deferential review to customs regulations). Only this Court has the authority to correct the Federal Circuit's errant interpretation of the Administrative Procedure Act, and to restore the proper balance, struck by Congress in that Act, between that court and the expert administrative agency to which Congress has committed primary responsibility for the administration of the Nation's patent system.

* * * * *

For the foregoing reasons, and those set forth in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted.

SETH P. WAXMAN
Solicitor General

NANCY J. LINCK
Solicitor
United States Patent and Trademark Office

OCTOBER 1998